

OCI-0081-74
22 January 1974

MEMORANDUM

SUBJECT : The US and Europe: Aftermath of the December Meetings

Note

The complex of unresolved issues confronting the states of Western Europe in their relations with each other and with the US continues to resist rapid or dramatic steps toward resolution. To measure progress (or retrogression) on these issues is not simple, but occasional "status reports" on the major issues and atmospherics seem useful. This memorandum, prepared in the WE Division of OCI, discusses how the various meetings in December affected the main issues, where things stand now, and takes a brief look ahead. It is a follow-on to earlier assessments, "Troubled Alliance" (2 November 1973) and "The Copenhagen Summit of the Nine" (6 December 1973).

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State Dept. review completed

Precis

If the NATO ministerial meetings in early December and the EC summit meeting in Copenhagen failed to give new impetus to Atlantic unity or to European integration, they did serve as forums for the national representatives to clarify their governments' positions on numerous issues. Both the NATO and EC gatherings have probably undone some of the damage to Atlantic unity resulting from the Middle Eastern war. Secretaries Kissinger and Schlesinger achieved some greater understanding of the US role in the Middle East war and of US policy toward the Alliance generally, thus improving the outlook for drafting Atlantic declarations intended to clarify the US-European relationship. Both meetings of course reflected general support for the principle of improved consultations among the EC nine and within the alliance. But it is revealing that the participants themselves came away from the sessions with quite varying impressions of how much progress was made.

Thus NATO emerged from the ministerial meetings still a very troubled alliance, and while the EC members agreed to proceed with the construction of a European identity, their summit provided additional evidence of how difficult it is to translate that identity into specific Community programs. The subsequent Arab decision drastically to increase oil prices enhanced the European felt need for Atlantic solidarity and European unity, but the price problem cuts across so many of the issues already confounding the alliance and the EC that

it remains uncertain to what extent the Atlantic nations will be able to overcome their conflicting interests and agree on common action.

West Germany, in its capacity as chairman of the EC Council for the first six months of this year, will try to provide the leadership required to turn the current crisis into positive gains for the Community. The unilateral French decision to float the franc illustrates the difficulty of the task the Germans have assumed.

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The Troubled AllianceA No-Progress Report on Burden-Sharing

1. The most pressing issue before the NATO defense ministers when they convened in Brussels on December 7 was the US requirement for a firm commitment by the allies to relieve the balance of payments burden it incurs by stationing its forces in Europe. The question had been made even more urgent by the enactment of the Jackson-Nunn amendment, effectively linking US troop levels to the successful conclusion of burden-sharing arrangements. The Eurogroup defense ministers struggled with the problem on December 6, but were unable to make any progress.

2. The net impact of the discussion among all the allied defense ministers on December 7 was also nil. The ministers agreed to come up with proposals by the middle of February so that the results could be reported to the US Congress as required by the Jackson-Nunn amendment. Some of the allies, however, misinterpreted Secretary Schlesinger's comments on the symbolic aspects of Jackson-Nunn to mean that European force improvements would be totted up as burden-sharing credits. The subsequent failure of the foreign ministers to take up the matter at their meeting on December 10-11, the recent improvement in the US balance of payments, and the sharp deterioration in West European surpluses consequent to the oil price increases also led some Europeans to discount the urgency of responding to the burden-sharing challenge.

3. In short, no positive movement on burden-sharing occurred, and the outlook for progress before mid-February is not good. In spite of differences within the German cabinet, it does not seem likely that Bonn will be able significantly to narrow the gap between its \$1.4 billion offset offer and the US request for more than twice that amount. Nor is Bonn likely to alter its intention not to contribute to any multilateral burden-sharing package. Combined with British and French intentions to abstain, this has

made any multilateral approach doubtful at best. Many of the allies would agree to reduce the US share of some portions of the NATO budget, although the US clearly will have to push hard even to get that much. A number of allies have said that they will increase purchases of military equipment from the US and a few have suggested bilateral offset possibilities, but no specific offers have been spelled out.

CSCE and MBFR: Allied Unity Tested

4. As the NATO defense and foreign ministers gathered, the ongoing CSCE deliberations in Geneva and the MBFR negotiations in Vienna were closing out their year's work with the allies largely in step but with discordant rumbles audible not too far off.

--At CSCE, there were few encouraging signs that the Soviets were willing to give very much to promote the freer communication that is a prime objective of our European allies. At the same time, the Europeans continue to suspect that the US doesn't care much what happens at CSCE, so long as US-Soviet relations are not prejudiced by the outcome. These suspicions may surface more starkly as the time approaches this spring for decisions on whether acceptable conference results have been achieved and how grandiose a conclusion to the conference is warranted.

--In Vienna, the allies managed to display an unusual degree of unity based on their common negotiating position. This unity will be harder to sustain this spring, when there will be increased interaction between the Eastern and Western proposals. By the conclusion in December of the opening MBFR sessions, the EC participants in MBFR became convinced that a prime Soviet objective in MBFR is to forestall European defense cooperation. As a result, the European allies

have rallied more closely around the skeptical British approach to the talks. What this means for the US is that the Europeans will try to enforce as leisurely a pace as possible on the talks, and will remain suspicious of Soviet attempts to lure the US into bilateral dealings behind the backs of the West Europeans.

The Middle East and NATO Consultations

6. When the NATO foreign ministers gathered on December 10-11 they were primed to hear the US explain its actions during the Middle Eastern war. Secretary Kissinger's exposition of the reasons for the US nuclear alert seems to have satisfied most of the Europeans, although they still are disturbed that they were not consulted in advance and that they were not made privy to the US position at the time of the crisis. The Secretary's rebuttal of French Foreign Minister Jobert's charge that the US-Soviet agreement on prevention of nuclear war illustrated a US-Soviet condominium was well received by the other allied foreign ministers.

7. The Secretary's call for improving high-level communications through periodic meetings of the political directors of the various foreign ministries has met a mixed reaction. Most of the allies agree that some action is required to move the alliance beyond the recriminations engendered by the Middle Eastern war and think that the Secretary's proposal merits consideration. The French, [redacted] lead the skeptics. Behind its arguments against the proposal is Paris' concern that NATO consultations might preempt or interfere with EC political discussions. While studying the US proposal carefully, the allies may consider US willingness to consult with them concerning the Geneva talks on the Middle East a test of US sincerity.

The Atlantic Relationship

8. The allies were not prepared in December for ministerial consideration of the NATO declaration of Atlantic principles. A French draft has been accepted as a working document, however, and in its current revised form it has

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considerable support among the allies. The US and some other allies have proposed still further changes in the text, and additional bargaining will be required before a declaration can emerge. But the Europeans now aim to have a declaration ready by the time of NATO's 25th anniversary on April 4. There is widespread feeling among the Europeans that this anniversary and the completion of the Atlantic declarations would furnish the occasion for a visit by President Nixon. The most recent discussions in the alliance indicate that a declaration can in fact be agreed by April, particularly since Paris has shown increased willingness to tone down references to European as distinct from US security requirements.

9. The ministerial discussions, particularly the exchange between Secretary Kissinger and Jobert, demonstrated why the drafting of a declaration has not been easy. France tends to see its interests better served by emphasizing points of conflict rather than points of compatibility between the goals of Atlantic unity and European community. The other EC members, while believing that the Middle Eastern war showed that the US and Europe have distinctly different interests on some questions, particularly outside the treaty area, do not think it constructive to dwell upon these differences. They prefer to avoid for the moment anything that would imply the need for change in alliance relationships and would like to leave open the options for a restructured Atlantic relationship until Europe has further sorted out the problems of a more viable political and economic community. As a result of these cross currents, the declaration, when finally agreed, will be a departure from past NATO exhortations in that it will probably less definitely assert the indivisibility of Atlantic interests. It nevertheless will probably avoid implying the need for a change, at least for the time being, in the basic assumptions of the alliance.

10. Meanwhile, US-EC discussions of a separate US-EC declaration are in limbo pending EC attempts to produce a new draft. Despite reluctance among the nine to reopen discussion on the current draft--with which they were reasonably content--they have responded to Secretary Kissinger's desire to shorten the current version and make it more graceful and less legalistic. The EC political committee has appointed a group to

work out a new version, and several of the nine have submitted revised drafts. The French, with some support from the others, continue to resist reference to the US-European relationship as a "partnership." The French believe that the concept implies too close an identity of interests between the US and Europe without necessarily connoting equality. There is pressure, however, particularly among the smaller EC members, to bring the declaration more into line with US desires. Thus, even if the new draft fails to use the term "partnership" it may reflect the concern within the EC that the Atlantic declaration exercise at least not further accentuate differences.

The Troubled Community

11. The NATO sessions were therefore successful to the extent that the Europeans headed for the subsequent EC summit with the feeling that US-European problems had been aired without Europe having been put under the gun by the US. The Nine however, then proceeded to fall apart on problems of their own. At the summit, the leaders issued the EC identity paper prepared in advance of the meetings and agreed to hold future summits more frequently. But all other questions were either overwhelmed by or became enmeshed in the energy crisis.

12. Despite the presence of an Arab watchdog committee in Copenhagen, the nine resisted tilting further toward the Arabs than they had in their pro-Arab declaration of November 6.

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A further bow toward the oil producers simply would not have washed with some Community members and in any case the Europeans felt that they had already climbed as far out on the pro-Arab limb as their publics and their American ally could gracefully accept.

13. The preoccupation of the nine with the energy problem was more fully illustrated the week following the summit. At West German and Dutch behest, the leaders patched together

at the summit a commitment to work out common measures to cope with some aspects of the oil situation--although they stopped short of oil sharing. They also agreed to work out the financial details of a regional development policy--politically important to the UK (and Italy and Ireland) and potentially costly to the West Germans. When it came to negotiating the size of a Regional Fund just three days after the summit had ended, however, Bonn held to its very small offer--far below the Commission's recommendation (which was already less than what the British wanted).

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Further action on economic and monetary union--already slowed by internal community differences--was also put off pending improvement of the West German offer. Although there are a number of possible compromise solutions, the issue is stalemated at the moment.

14. The West German unwillingness to pay generously for the regional program could be a harbinger of harder times for community projects generally. In the past, the community members have pieced together package deals on the assumption that the relative gains of each member would eventually balance out. The problem now is, as Le Monde has pointed out, that the energy crisis has undercut the belief that tomorrow's EC will be as good or better than today's. The Nine now see as many costs as benefits to be shared--thus the West German reluctance to commit extensive financial support to the regional policy without compensating advances in EC solidarity on energy matters, better management of community funds, and meaningful economic policy coordination on the community level. Of course, to the extent that Bonn--as chairman of the EC Council for the first half of 1974--succeeds in pushing any of these objectives, the present difficult period could result in net gains for the community as a whole. The question is whether European alarm about the crisis in the EC will be sufficient to overcome the tendency of the member states to depend on parochial inward-looking policies.

15. The EC stalemate over regional policy--with its repercussions on energy matters--has not only slowed necessary internal EC progress, but has also threatened to delay meaningful Atlantic cooperation on the energy situation. The

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nine--with the exception of the French--have been favorably inclined toward Secretary Kissinger's proposal for an Energy Action Group, but were reluctant to respond to the Secretary's proposal until they have formulated a Community position. The EC Commission agitated for a positive response in order both to encourage a common community policy and to give new content to the US-European relationship. The EC has accepted the President's invitation to a discussion of energy problems on February 11. But enthusiasm among the nine for cooperative measures to assure future supplies at reasonable prices varies greatly according to their fears that international cooperation may weaken their opportunities to deal bilaterally with producing countries. The ultimate success of the US proposal may depend, in part therefore, on the reception individual European states get from oil producers to bilateral feelers that they have already begun to put out.

In the Aftermath

16. Last year was, at best, frustrating for the Europeans and trying for the US. While the EC governments are committed to the concept of a "European identity" and to lofty goals of economic, monetary, and political union, they still lack the consensus for major strides toward these objectives in terms of concrete programs. The enlargement of the community has made it more difficult--but not impossible--for Paris to hold community action hostage to the achievement of France's own particular objectives. But with the failure of the nine to let the EC institutional framework grow apace with the size and problems of the community, new stalemates, shifting alignments, complicated maneuverings, and logrolling now characterize the internal community decision-making process.

17. In external relations, the Europeans would like to be accepted as a community by the US, and the USSR and the rest of the world as well, but the EC members are still divided on how "independent" this community should be--especially with respect to the US. While Europe still clings to the US security guarantee and the presence of US forces in Europe which embody that guarantee, the Europeans fear that the guarantee will be less firm in the future. On the

other hand, they see no real "European alternative" which could substitute completely for the US security commitment, and there is less optimism among European leaders today that the Soviet threat will diminish so drastically as to warrant a significantly lowered Western defense commitment. On top of all this, the Middle Eastern war and the exacerbated energy crisis has threatened the prosperity on which the community has thrived for the past 15 years. The crisis, while obviously requiring joint Atlantic as well as EC action, has bared intra-European as well as US-European differences which make such cooperation difficult.

Outlook

18. Europe's options in the near term are severely limited. The most likely course is to muddle through--a course that is all the more likely in the weak condition of many EC governments. The cooperation necessary to produce Atlantic declarations this spring will probably be forthcoming, but they will not be ringing endorsements of Atlantic unity, and will leave unanswered many of the questions about the US-European relationship that the last year has raised.

19. The EC members will likely put together a compromise on regional policy that will unblock other Community programs. Long-term unity goals will continue to inspire the nine, but no dramatic forward surges should be expected in European integration--crisis management may be the order of the day. Most of the Europeans will support some greater cooperation with the US, particularly concerning the problems created by the oil price increases. This positive development, however, will be more than balanced by negative effects of the energy crisis. The damage to EC economies could be severe, and the payments deficits they face will make the Europeans even more reluctant to offset US military expenditures in Europe. Some burden-sharing projects may be agreed, but the Europeans may come increasingly to depend on the hope that the US administration will be able to find a way of avoiding cuts under Jackson-Nunn.

20. The different effects on the economies of the Nine of the energy crisis will further strain their capacity to formulate common positions in the impending trade and monetary negotiations. Also important is the shift of concern in trade matters, dramatized by the oil situation, towards the problem of supply shortages. A focus on trade liberalization may seem somewhat outmoded by the time the multilateral trade negotiations are slated to begin. On the monetary front the shift from a weak to a strong dollar and the impending debtor position of many of the industrialized countries--but with the Europeans probably worse off than the US--has already created a new set of facts that have displaced concern over floating vs. fixed exchange rates and strict rules for convertibility. Moreover, faced with the problem of holding the joint float together following France's unilateral decision to withdraw, the EC is far from ready to take the "giant step" towards monetary union that might enable it to constitute a more unified entity in international negotiations. Thus, while the international situation has added urgency to trade and monetary questions, it has also pushed new and somewhat different problems to the fore. Imagination on both sides of the Atlantic will be required to seize the opportunity and prevent backsliding from even the limited goals of trade and monetary progress that 1974 had promised.

21. The CSCE and MBFR negotiations this spring will continue to reflect Europeans' concern about their future security situation. The European allies still see both sets of negotiations as possible avenues to a more healthy security situation in Europe. If the Soviets were to prove their genuine interest in lowering the level of confrontation through force reductions and to agree to lower East-West barriers generally at CSCE, the Europeans would find some relief from the pressures of their security dilemma. In the absence of such progress, the Europeans will actively continue their recently revived exploration of new approaches to security through defense cooperation. They will also continue to worry that they may be left with the worst of all possible worlds: a diminished US commitment to European defense; a continued Soviet political and military threat to Europe; and European inability to unite sufficiently to plan seriously for a European defense community.

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